



LiveOne, Inc.

LVO - Buy \$4 Price Target

F1Q Results Report – August 13, 2024

LiveOne Rocks On With Revenue Up 19%, EBITDA Up 31%

Analyst: Barry M. Sine, CFA, CMT

- This morning, LiveOne reported strong fiscal first quarter results with revenue up 19% and EBITDA up 31%.
- Results were again driven by its core streaming music unit – Slacker Radio – with revenue up 23%.
- PodcastOne (PODC-Buy) which is 72% owned by LiveOne, posted better-than-expected 24% revenue growth but EBITDA slipped slightly negative due to talent acquisition costs. In addition to continuing to grow its core portfolio of podcast titles, now at 187, it is adding new revenue streams such as wholesale, TV/movie licensing and live events.
- LiveOne is also dipping its toes back into the live events arena, with a Hamptons music festival this week, but this time around it is doing so profitably, securing sponsors first.
- Management reiterated guidance for revenue of \$147.5 million (midpoint) and EBITDA of \$18 million.
- Based on our forecast, the shares trade at just 1.0x our F26 revenue estimate and 7.5x our EBITDA estimate. We view this valuation level as high attractive, especially since LiveOne's fundamentals are increasingly significantly faster than media industry peers.
- We reiterate our Buy rating and \$4 price target, implying more than 100% upside.

Rating	Buy	Earnings Per Share				Normalized to exclude unusual items			
Target Price	\$4.00	FYE - March				FY2023	FY2024	FY2025E	FY2026E
Ticker Symbol	LVO	1Q - June	2Q - September	3Q - December	4Q - March	\$0.02	(\$0.01)	(\$0.02)	(\$0.01)
Market	NASDAQ	(\$0.04)	(\$0.09)	(\$0.03)	(\$0.06)	(\$0.01)	(\$0.09)	(\$0.01)	(\$0.01)
Stock Price	\$1.62	Year	(\$0.12)	(\$0.15)	(\$0.03)	(\$0.03)	\$0.00	(\$0.00)	(\$0.00)
52 wk High	\$2.19	Revenue (\$mm)	\$99.6	\$118.4	\$140.4	\$160.7			
52 wk Low	\$0.84	EV/Rev	1.6X	1.4X	1.2X	1.0X			
Shares Outstanding:	98.6 M	EBITDA (\$mm)	\$10.9	\$11.0	\$17.9	\$22.1			
Public Market Float:	95.1 M	EV/EBITDA	14.9X	14.8X	9.1X	7.4X			
Avg. Daily Volume	433,599								
Market Capitalization:	\$160 M								
Institutional Holdings:	36.8%								
Dividend Yield:	0.0%								

Risks/Valuation

- The dominant risk is that revenue from Tesla, for whom Slacker provides the in-car streaming music app included in the connectivity package on a white label basis, comprises 40% to 50% of revenue. Mitigating this risk are the facts that Tesla just renewed for an 11th straight year, Slacker is an important and highly utilized part of the driver/passenger experience (personally selected by Elon Musk) and represents a negligible portion of Tesla's cost base.
- We value LVO shares at 2.6x our F25 revenue estimate. Comps trade at 3.0x implying a \$4.65 per share valuation, but we round this down out of conservatism to get to our \$4.00 12-month price target.

Company description: LiveOne is a dynamic media company headquartered in Beverly Hills, California with differentiated businesses in streaming music and podcasting. Music goes under the Slacker brand but is mainly sold on a white-label basis to customers such as Tesla. Podcasting is done via 73%-owned publicly traded PodcastOne (PODC - NASD).



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LiveOne Rocks On With Revenue Up 19%, EBITDA Up 31%

LiveOne reported strong fiscal first quarter results this morning with revenue up 19% and EBITDA up 31%. The strong results came despite a contraction in the gross margin as PodcastOne content costs rose. We see PodcastOne results improving as it has now sold TV/movie rights to two podcasts and its marquee contract is ramping up to its \$2 million per month expected run rate.

As we discussed in our note dated May 30, 2024, the main strategic focus at the company is to add more wholesale deals for its streaming music and podcast content. It already has Tesla for streaming music, which is its anchor customer, and recently added a Fortune 250 customer for podcasts in a deal worth \$24 million annually that is starting to ramp up. It has signed four new ones to date, and plans to issue press releases, hopefully identifying the names, as they go live. There are 63 more in the pipeline. The company has increased its B2B sales team from one to six and plans to hire four industry vertical heads. We applaud this strategy as many of its larger peers struggle to generate profits due to the high cost of direct subscriber acquisitions. LiveOne's wholesale strategy ought to be more profitable as new partners in telecom, retail, travel, hospitality and other verticals buy access to LiveOne content and market it to their existing customer bases.

Slacker Revenue Up 23% with a Major B2B Strategic Push

Slacker posted revenue of \$18.7 million, up 23%, EBITDA of \$5.4 million, up 20% and subscribers of 3.9 million, up 29%. We think its particularly notable that CEO Rob Ellin mentioned global opportunities several times on the call and discussed how this could drive revenue from new and existing customers. Currently, LiveOne only has the rights to stream music from the major labels in North America, not in Europe or globally. He mentioned how the recent cleanup and deleveraging of the balance sheet now makes global rights deals more likely. In discussing the verticals where the company is in discussions with a pipeline of 63 potential partners, he called out global telecom carriers. Signing these for music streaming would require international rights. Should LiveOne add music licensing in Europe, we would expect it to add Tesla relatively quickly. For Tesla, adding LiveOne streaming music in Europe would just require a software update. LiveOne is its preferred music provider in North America, reportedly personally chosen by Elon Musk. Tesla's recent issues with sales are not affecting LiveOne, as demonstrated by the F1Q results, as Tesla shipments are still growing, albeit not as fast as previously.

PodcastOne Growing, With EBITDA Improvement in Sight

PodcastOne reported revenue of \$13.2 million, up 24% but EBITDA dipped slightly negative due to higher content acquisition costs. Management expects EBITDA to return to positive next quarter, and with a strong top line trajectory, we forecast positive and growing EBITDA.

Long-term Aspiration to be a Billion Dollar Company Still Within Reach

On the call, CEO Rob Ellin noted that the company remains on track for 10 million subscribers, \$1 billion in revenue and \$150 million in EBITDA, presumably several years out. For F25, guidance was reiterated at \$140 to \$155 million in revenue and \$16 to \$20 million in EBITDA. The audio division, which is the bulk of the business including Slacker and PodcastOne, is guided to \$130 to \$140 million in revenue and \$20 to \$25 million in revenue. Of this, most will likely come from Slacker, with PodcastOne just above breakeven this year.

We reiterate our Buy ratings on both LVO and PDOC shares. Both are strategically positioned to benefit from consumer content consumption trends. We like the corporate strategy of being talent-focused at both Slacker and PodcastOne as well as Slacker's focus on wholesale deals instead of pursuing an expensive consumer acquisition strategy. Catalysts going forward include continued strong results, an aggressive buyback campaign and the potential to significantly expand the company's addressable market with international music streaming rights. Additionally, the company continues to work with investment bankers on a longstanding strategic review process, which might yield significant new deals.



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LiveOne, Inc. – Income Forecast

Dollars in thousands, except per share data
Fiscal years ended March 31

	FY2024					FY2025E					FY2026E				
	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
	June	Sept	Dec	March		June	Sept	Dec	March		June	Sept	Dec	March	
Revenue	27,767	28,528	31,245	30,900	118,440	33,078	33,290	36,287	37,726	140,381	37,644	38,943	41,118	42,980	160,684
YoY growth	19.6%	21.2%	14.4%	20.9%	18.9%	19.1%	16.7%	16.1%	22.1%	18.5%	13.8%	17.0%	13.3%	13.9%	14.5%
Seq growth	8.7%	2.7%	9.5%	-1.1%		7.0%	0.6%	9.0%	4.0%		-0.2%	3.5%	5.6%	4.5%	
Total Cost of Sales	19,563	20,547	23,267	23,014	86,391	25,087	24,635	26,490	27,540	103,751	27,480	28,428	30,016	31,375	117,299
	70.5%	72.0%	74.5%	74.5%	72.9%	75.8%	74.0%	73.0%	73.0%	73.9%	73.0%	73.0%	73.0%	73.0%	73.0%
Gross Margin	8,204	7,981	7,978	7,886	32,049	7,991	8,655	9,797	10,186	36,630	10,164	10,514	11,102	11,605	43,385
As a percent of revenue	29.5%	28.0%	25.5%	25.5%	27.1%	24.2%	26.0%	27.0%	27.0%	26.1%	27.0%	27.0%	27.0%	27.0%	27.0%
Sales and Marketing	1,904	2,253	1,514	2,167	7,838	1,431	1,332	1,451	1,509	5,723	1,506	1,558	1,645	1,719	6,427
As a percent of revenue	6.9%	7.9%	4.8%	7.0%	6.6%	4.3%	4.0%	4.0%	4.0%	4.1%	4.0%	4.0%	4.0%	4.0%	4.0%
Product Development	1,246	1,439	694	1,302	4,681	1,071	999	1,089	1,132	4,290	1,694	1,752	1,850	1,934	7,231
As a percent of revenue	4.5%	5.0%	2.2%	4.2%	4.0%	3.2%	3.0%	3.0%	3.0%	3.1%	4.5%	4.5%	4.5%	4.5%	4.5%
General and Administrative	5,063	6,352	5,890	4,973	22,268	5,505	5,500	5,500	5,500	22,005	6,000	6,000	6,000	6,000	24,000
As a percent of revenue	18.2%	22.3%	18.8%	16.1%	25.8%	16.6%	16.5%	15.2%	14.6%	21.2%	15.9%	15.4%	14.6%	14.0%	20.5%
Amortization	246	452	528	589	1,815	592	1,000	1,000	1,000	3,592	1,000	1,000	1,000	1,000	4,000
Operating income	(255)	(2,515)	(638)	(1,145)	(4,553)	(608)	(175)	757	1,045	1,020	(36)	204	607	951	1,726
Operating margin	-0.9%	-8.8%	-2.0%	-3.7%	-3.8%	-1.8%	-0.5%	2.1%	2.8%	0.7%	-0.1%	0.5%	1.5%	2.2%	1.1%
Interest expense	(1,418)	(780)	(1,279)	(889)	(4,366)	(859)	(900)	(900)	(900)	(3,559)	(900)	(900)	(900)	(900)	(3,600)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt extinguishment	-	-	-	-	-	135	-	-	-	135	-	-	-	-	-
Impairment loss	-	-	(115)	-	(115)	(176)	-	-	-	(176)	-	-	-	-	-
Other	1,237	(4,653)	(207)	(536)	(4,159)	-	-	-	-	-	-	-	-	-	-
	(181)	(5,433)	(1,601)	(1,425)	(8,640)	(900)	(900)	(900)	(900)	(3,600)	(900)	(900)	(900)	(900)	(3,600)
Pretax Income	(436)	(7,948)	(2,239)	(2,570)	(13,193)	(1,508)	(1,075)	(143)	145	(2,580)	(936)	(696)	(293)	51	(1,874)
Taxes	79	(21)	(15)	75	118	49	-	-	-	49	-	-	-	-	-
Minority interest	-	347	650	348	1,345	388	650	650	650	1,950	650	650	650	650	1,950
Net income - continuing ops	(515)	(7,580)	(1,574)	(2,297)	(11,966)	(1,169)	(425)	507	795	(679)	(286)	(46)	357	701	76
Net income margin	-1.9%	-26.6%	-5.0%	-7.4%	-10.1%	-3.5%	-1.3%	1.4%	2.1%	-0.5%	-0.8%	-0.1%	0.9%	1.6%	0.0%
Diluted shares outstanding	86,895	87,222	87,882	88,391	87,658	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420
Seq change	46.7	327.0	660.2	-	-	10,028.8	-	-	-	-	-	-	-	-	-
EPS diluted	(\$0.01)	(\$0.09)	(\$0.03)	(\$0.03)	(\$0.15)	(\$0.02)	(\$0.01)	(\$0.00)	\$0.00	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.00)	\$0.00	(\$0.02)
Adjusted EBITDA	(515)	(7,580)	(1,574)	(2,645)	(13,311)	(1,557)	(425)	507	795	(679)	(286)	(46)	357	701	76
GAAP Net Income	(515)	(7,580)	(1,574)	(2,645)	(13,311)	(1,557)	(425)	507	795	(679)	(286)	(46)	357	701	76
Addback:															
Depreciation and amortization	1,055	1,244	1,485	1,554	5,222	1,588	2,000	2,000	2,000	7,588	2,500	2,500	2,500	2,500	10,000
Stock-based comp	877	2,716	2,255	2,117	7,965	1,700	1,700	1,700	1,700	6,800	2,500	2,500	2,500	2,500	10,000
Other non-recurring	793	6,752	1,797	1,759	11,101	1,172	1,000	1,000	1,000	4,172	500	500	500	500	2,000
Adjusted EBITDA	2,210	3,132	3,963	2,785	10,977	2,903	4,275	5,207	5,495	17,881	5,214	5,454	5,857	6,201	22,076
Grow th	12.2%	-28.7%	29.2%	86.3%	0.4%	31.4%	36.5%	31.4%	97.3%	62.9%	79.6%	27.6%	12.5%	12.8%	23.5%
Margin	8.0%	11.0%	12.7%	9.0%	9.3%	8.8%	12.8%	14.4%	14.6%	12.7%	13.9%	14.0%	14.2%	14.4%	13.7%

Source: Company reports and Litchfield Hills Research LLC



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